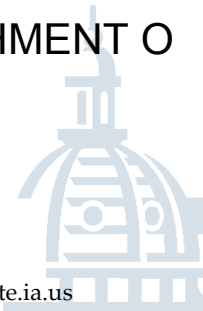


**Jess R. Benson**  
Legislative Analyst 2  
State Capitol  
Des Moines, IA 50319

Phone: 515.281.4611  
E-mail: jess.benson@legis.state.ia.us



TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Jess Benson

DATE: September 1, 2011

### Monthly Medicaid Forecast - August 2011

**Forecasting Group.** Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the LSA met on July 25, 2011, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2011 and FY 2012. The forecasting group meets monthly to discuss estimated expenditures and agree on a range for the current and upcoming fiscal years.

| <b>Medicaid Balance Sheet</b>                 |                         |                             |                             |
|---|-------------------------|-----------------------------|-----------------------------|
|   | <i>Final<br/>FY2010</i> | <i>Estimated<br/>FY2011</i> | <i>Estimated<br/>FY2012</i> |
| <b>Medicaid Funding</b>                       |                         |                             |                             |
| Carryforward from Previous Year               | \$ 36,587,215           | \$ 57,523,302               | \$ 29,500,000               |
| Veterans Home Transfer                        | 1,833,333               | 0                           | 3,804,402                   |
| Other Transfers                               | -3,774,367              | 0                           | 0                           |
| ARRA Funds to MHIs                            | 25,874,211              | 0                           | 0                           |
| Property Tax Relief Transfer                  | 3,271,911               | 0                           | 0                           |
| Behavioral Health Account Carryforward        | 2,136,721               | 2,082,504                   | 0                           |
| Senior Living Trust Fund                      | 17,366,939              | 40,447,981                  | 0                           |
| Transfer from Decat Waiver Waiting List       | 0                       | 1,925,000                   | 0                           |
| Cash Reserve Fund                             | 0                       | 178,693,397                 | 0                           |
| Health Care Transformation Account            | 0                       | 0                           | 1,956,245                   |
| Health Care Trust Fund                        | 100,650,740             | 106,599,657                 | 106,363,275                 |
| Nursing Facility Quality Assurance Fund       | 2,300,000               | 32,394,074                  | 26,500,000                  |
| Hospital Trust Fund                           | 0                       | 31,322,793                  | 36,935,460                  |
| hawk-i Performance Bonus                      | 0                       | 6,760,901                   | 9,430,805                   |
| Total Non-General Fund for Medicaid           | \$ 186,246,703          | \$ 457,749,609              | \$ 214,490,187              |
| General Fund Appropriation                    | \$ 590,459,096          | \$ 393,683,227              | \$ 909,993,421              |
| Covering All Children                         | 47,523                  | 2,297,649                   | 0                           |
| Total All General Fund Sources                | \$ 590,506,619          | \$ 395,980,876              | \$ 909,993,421              |
| <b>Total Medicaid Funding</b>                 | <b>\$ 776,753,322</b>   | <b>\$ 853,730,485</b>       | <b>\$ 1,124,483,608</b>     |
| <b>Total Estimated State Medicaid Need</b>    | <b>\$ 943,785,050</b>   | <b>\$ 1,011,371,682</b>     | <b>\$ 1,124,483,608</b>     |
| ARRA FMAP                                     | -224,555,030            | -187,141,197                | 0                           |
| <b>Total Estimated Medicaid Need</b>          | <b>\$ 719,230,020</b>   | <b>\$ 824,230,485</b>       | <b>\$ 1,124,483,608</b>     |
| <b>Midpoint of Balance/(Under Funded)</b>     | <b>\$ 57,523,302</b>    | <b>\$ 29,500,000</b>        | <b>\$ 0</b>                 |
| ARRA - American Recovery and Reinvestment Act |                         |                             |                             |

**FY 2011 Range.** For FY 2011, the forecasting group agreed Medicaid will have a surplus of \$27.5 million to \$31.5 million, with a midpoint surplus of \$29.5 million. The surplus estimate has increased significantly from the last forecast due to several major factors including:

- An increase of \$5.9 million in funds being returned to the Cash Reserve Fund appropriation from the Iowa's Helping Iowans Program.
- Slower than anticipated growth in expenditures. Based on trends over the past several years, expenditure growth for May, June, and July was anticipated to average 6.0%. Actual expenditures were just over 1.0% higher than the same time period last year.
- A reduction in enrollment. Enrollment for the month of June decreased by 1,630 individuals.

The range includes the 6.2% Federal Medical Assistance Percentage (FMAP) increase, including tier two of the FMAP unemployment increase through the first six months of FY 2011 and the phased out FMAP extension estimated at \$86.4 million, approved by Congress and signed by the President. In addition, the range takes into account a reduction of \$18.8 million for a lower State contribution for the Medicare Part D clawback payment to the federal government.

**FY 2012 Range.** For FY 2012, the forecasting group agreed Medicaid will have a need of \$15.0 million to a surplus of \$15.0 million, with a midpoint of no additional funds needed. The range includes the following savings and expenditures as enacted in HF 649 (FY 2012 Health and Human Services Appropriations Act):

- An increase of \$8.5 million for the Children's Health Insurance Program performance bonus.
- A decrease of \$20.2 million due the implementation of the Governor's targeted savings strategies. (For more information on the strategies that are being implemented please contact me.)
- An increase of \$11.6 million to increase nursing facility rates.
- An increase of \$5.0 million to reduce the Home and Community-Based Services (HCBS) waiver waiting list for the Children's Mental Health, Brain Injury and Intellectual Disabilities Waivers.
- An increase of \$3.0 million to increase the pharmacy dispensing fee.
- An increase of \$1.5 million to increase reimbursement for HCBS waiver providers.
- An increase of \$350,000 to increase Psychiatric Medical Institutes for Children (PMIC) reimbursement rates.
- An increase of \$1.0 million to reverse changes made to move mental health drugs to the preferred drug list in SF 2088 (FY 2011 Government Reorganization and Efficiency Act). *This item was vetoed by the Governor and will decrease estimated FY 2011 expenditures by \$500,000 and FY 2012 by \$1.0 million.*

The estimated need for FY 2012 was decreased due to both lower expenditures and increased carryforward in FY 2011.

**CHIPRA Performance Bonus.** The recently enacted federal budget cancels funding for the Children's Health Insurance Reauthorization Act (CHIPRA) performance bonuses. States received bonuses for simplifying and enrolling children in their Medicaid and CHIP programs. It is estimated there will be sufficient funds available in the federal performance bonus account to award Iowa with \$6.8 million in FY 2011 and \$9.4 million in FY 2012, although Iowa may need to reassess after the FY 2011 bonuses to see if the pool of funding available is sufficient to fund Iowa's full allotment for FY 2012.

**Enrollment Increase.** Medicaid continues to grow, but at a slower pace than the past several years. In FY 2009, the Program added a total of 31,794 individuals, including 25,935 children. In FY 2010, the Program added an additional 27,164, including 19,286 children. In FY 2011, the Program added 13,735 individuals, including 8,704 children. In the first two months of FY 2012 the Program added 3,364 individuals for a total program enrollment of 389,700.

| <b>Medicaid Enrollment Increases/(Decreases) for FY 2012</b> |                 |               |               |                 |                |
|--|-----------------|---------------|---------------|-----------------|----------------|
| <u>FY 2012</u>   | <u>Children</u> | <u>Adults</u> | <u>Aged</u>   | <u>Disabled</u> | <u>Total</u>   |
| July   | 271             | 93            | 34            | 288             | 686            |
| August   | 1,377           | 733           | 123           | 445             | 2,678          |
| Total FY 2012  | 1,648           | 826           | 157           | 733             | 3,364          |
| Grand Total  | <u>222,578</u>  | <u>63,026</u> | <u>29,834</u> | <u>74,262</u>   | <u>389,700</u> |